



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 26, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

REPORT ON COST SAVINGS OPTIONS TO ADDRESS THE PROJECTED DEFICIT IN THE DEPARTMENT OF HEALTH SERVICES 2008-09 BUDGET

On February 19, 2008, your Board approved a motion by Supervisor Knabe instructing this office to provide, by March 24, 2008, a comprehensive list of all cost savings options from which to choose to balance the Department of Health Services (DHS) 2008-09 Budget. This memorandum provides, as an interim response, a comprehensive list of the non-service-related cost savings options we have identified as of this date. A comprehensive list of all cost savings options, including potential service curtailments, will be provided as part of the next DHS Budget Committee of the Whole Report and Fiscal Outlook, scheduled for presentation to your Board on April 22, 2008.

Attachment I describes 65 non-service-related cost savings options, developed by the Department of Health Services and reviewed by our office, which will be included in the 2008-09 Proposed Budget. These proposals comprise the DHS Financial Stabilization Plan and will produce savings in current costs for pharmaceuticals, administration, staffing, nursing registry, information systems, and medical administration, and will increase revenues in a variety of areas. Total cost savings are estimated at approximately \$80.0 million, consisting of \$33.6 million in 2007-08 and \$47.4 million in 2008-09.

Each Supervisor
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Attachment II includes additional cost savings options which have been identified by the Department in discussions with other stakeholders, including staff in your offices. These additional options also identify potential efficiencies in administrative, management and clinical activities and propose efforts to increase revenue collection and generation.

As indicated above, our next report will include a comprehensive list of cost savings options, including potential service curtailments, which will be needed to address the projected DHS budget deficit beginning in 2008-09. This effort only deals with the first phase of the multi-faceted and multi-phased plan being developed to address the Department's structural deficit.

If you have questions or need additional information, please contact me or your staff may contact Sheila Shima, Deputy Chief Executive Officer, Health and Mental Health Services, at (213) 974-1160.

WTF:SRH:SAS
MLM:bjs

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Director and Chief Medical Officer, Department of Health Services
Director of Personnel

DHS Cost Savings Option_bm

**COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 THROUGH 2009-10**

Attachment I

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
1	Establish DHS Protocol for the use of Rheumatology Drugs. Identify preferred drugs and work with providers to encourage the use of these agents LAC+USC AND OVMC ONLY	Pharmaceuticals	Convene DHS expert panel to review the use of the high cost rheumatology drugs and develop guidelines for their appropriate use/indications. We believe other private hospitals prescribe these drugs per specific protocols. Panel convened and decisions made at P&T and approved. Facilities to implement.	0.375	0.750
2	Cardinal Drug Recovery Program. Increase use of patient assistance programs to defer the costs of high cost pharmaceuticals use the pharmaceutical companies established drug assistance programs OVMC ONLY	Pharmaceuticals	Completed - Board approved Cardinal contract on 12/18/07. Implementation in progress with OVMC.	0.500	0.750
3	Develop options regarding 340B for our non-hospital based clinics LAC+USC ONLY	Pharmaceuticals	DHS is reviewing options to limit the impact of the loss of 340B pricing at our non-hospital based clinics.	4.000	8.000
4	340B Contracting-purchasing initiatives for hospital sites	Pharmaceuticals	DHS Pharmacy Procurement reviewing 340B Optimization reports on a quarterly basis to maximize use of 340B drugs through the use of the 340b maximization reports.	1.600	2.000
5	Mandatory Generics - Maximize generic drug purchases	Pharmaceuticals	Maximize purchases placed for generic drugs, when generic equivalent is commercially available.	2.160	2.000
6	Identification of lost rebates/discounts for pharmaceuticals	Pharmaceuticals	DHS Procurement on an ongoing basis look to capture lost pharmaceutical rebates, credits and other opportunities that may be available to DHS.	1.500	1.000
7	Therapeutic interchange initiatives -Multiple initiatives approved by the DHS Core P&T Committee	Pharmaceuticals	DHS facilities will implement DHS Core P&T-approved therapeutic interchange initiatives	0.750	1.000
		Pharmaceuticals Total		10.885	15.500
8	No deposit to the ACO vehicle account (EMS).	Administrative costs	EMS has indicated they will not be buying any ambulances this fiscal year.	0.150	-
9	Contract Savings	Administrative costs	Ongoing identification of contract expenditure savings for the facility	-	0.079
10	Reduction in Physician contracts	Administrative costs	Reduce physician contract spending	-	0.390
11	ISD	Administrative costs	DHS Finance met with ISD in 10/22/07, including Jim Jones, Sheila Shima, and Patrick Anderson. ISD provided DHS with schedules breaking out the ISD charges into various categories. DHS Finance will be updating the format of the schedule by 11/2/07 for review by DHS facilities. DHS facilities will look for opportunities to reduce utilization of ISD services in areas that could produce savings in the DHS budget. DHS expects to receive the ISD billing data on a monthly basis.	-	0.015
12	Outsource vehicle maintenance costs	Administrative costs	Depts are now required to use ISD maintenance program, but in the past significant savings was achieved by using local auto repair shops through Purchase Orders.	-	-
13	Premises Sys Engineering (3440) cost can be reduced by creating positions in the facility budget to hire this staff in house.	Administrative costs	Required new items as an enabler: 3 - 2560 Sr. Network Systems Administrator positions, 1 - Information System Supervisor III position.	-	0.526
14	Power Plant Operations and Maintenance	Administrative costs	Reduce power plant expenses by handling maintenance through in house facilities staff	0.200	0.250
15	Reduce discretionary S & S spending	Administrative costs	Issue revised allocations for FY 07-08 to the responsible managers and submit budget reduction documents for FY 08-09.	2.466	3.409
16	Reduce Fiscal Programs spending	Administrative costs	Reduce CBRC, LAN, and fixed assets budgets.	0.220	0.220
17	Identify other potential cost savings	Administrative costs	Identify additional savings at various divisions within HSA.	6.086	1.382
18	Replacement Facility Move Transition and OMDI Cost	Administrative costs	Reevaluate the forecast for replacement facility activities in FY 2007-08.	5.797	-
19	OPS	Administrative costs	Review current staffing levels and locations in hospital where security guards are present, then prioritize those locations based on security needs and reduce staffing elsewhere accordingly. Present to CEO a review of staffing levels provided by Office of Public Safety for both armed and unarmed security personnel.	-	1.387
20	Review need for vehicles of all hospital vehicles with a determination of actual need for the facility and lobby for continued purchase of used ISD vehicles.	Administrative costs	Potential Savings in ISD for maintenance/repair and gas/oil expenditures by eliminating those vehicles that are not critical to the hospitals operations. Also, ISD recently stopped allowing other depts to purchase their 2-3 yr old vehicles at very minimal cost.	0.033	0.575
21	Curtail memberships of the advisory board co.	Administrative costs	Letter sent, canceling as of Jan 1, 2008. Savings for FY07-08 is estimated 6 mos.	0.085	0.170
22	Revise on line requisition OLR approval for Office Furniture to provide CEO final review/approval for all purchases	Administrative costs	RLA: OLR has been adjusted to route (based on commodity code) Office Furniture items to CEO for final review/approval.	0.100	0.100
23	Hire a Chain Supply Director for Group Purchasing Organization	Administrative costs	Hire a Chain Supply Director to evaluate \$1 billion S&S spending activities and identify & implement savings initiatives.	(0.100)	-
25	Warehouse Inventory One-Time Reduction to 3 Weeks Supply	Administrative costs	Implement new policy to maintain 3 weeks inventory supply in the Warehouse. The one-time savings that can be achieved is \$100,000.	0.200	-
26	Reduce OAC's S&S budget	Administrative costs	Plan reduced FY 07-08 expenditures.	1.300	1.300
		Administrative costs Total		16.537	9.803
27	Administrative Day Unit	Staffing	Revise staffing for an Administrative Day unit. Requires budget adjustment to reduce RN items and add LVN and NA items in their place.	-	0.653
28	Hiring Delays - Additional Savings	Staffing	As a result of the DHS hiring freeze, the Executive Leadership Team is reviewing each hiring request to ensure the need is critical. The estimated savings reflect the assumed loss of an additional 10 employee per month for December through June.	1.000	-
29	Control paid overtime	Staffing	Implement additional paid overtime controls. The additional savings are estimated at 5% for January through June.	0.641	-
30	Replacement Facility Paid Overtime	Staffing	Monitor the use of paid overtime for replacement facility training activities.	1.000	-

**COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 THROUGH 2009-10**

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
31	Increase County HIM staffing in an effort to reduce contract registry costs in HIM and mitigate revenue losses (write-offs).	Staffing	Harbor spends \$1.2 million annually on registry HIM coders. Coders directly impact our ability perform third party billing. Registry costs could be reduced if additional HIM items are allocated and County staff are hired in lieu of registry. It would be helpful to allow HIM to hire some staff as unlike placements. Harbor has a HIM coding backlog that is impacting revenue generation. More account write-offs will result if coding cannot occur timely within the billing statute. Approx. 8 new coder items are needed and 4 registry items will remain. Study feasibility of using 3rd party vendor (Accordis) vs. hiring County employees. LAC+USC Network spent \$5.3 million on registry staff to perform abstracting, cancer registry and coding services in HIM throughout the network. Registry staff directly impact revenue generation, accreditation and regulatory compliance. Registry costs could be reduced (savings from current spending) if additional HIM items are allocated and County staff are hired in lieu of registry.	0.286	0.730
32	Reduce Full-Time Permanent Staffing Cost by Implementing New Part-Time, Hourly As Needed Item Classification in non-Nursing Depts.	Staffing	Same as above. Expand use of part-time classifications for Radiology Techs, Medical Techs, Pharmacy Techs, Pharmacists, Respiratory Care Practitioners, Nurse Anesthetists, Occupational Therapy, Physical Therapy, Medical Records Coders, etc. Reliance on registries is heavy in these item classifications. The ability to flex staff according to workload is critical in operating an efficient organization. However, the County may not be open to create part-time positions without benefits.	-	0.350
33	Reduce Neonatal and Adult registry staffing in the Respiratory Therapy Dept.	Staffing	Reduce utilization of contract registry services by hiring four County personnel to fill the reclassified Resp. Therapy items allocated in the FY 07-08 Suppl. Budget. Reclass is completed and exams have been called.	0.100	0.400
34	Reduce paid overtime expenditures.	Staffing	Reduce paid overtime expenditures by 5% Hospital-Wide. Note: The 5% can be achieved from the base, but it needs to be recognized that Harbor is staffing the add'l 20 beds with overtime and registry use until the positions in the 20 bed package can be filled.	0.310	0.881
		Staffing Total		0.337	3.014
35	Recognize BCEDP revenue in excess of budget	Revenue	The current facility forecast for BCEDP revenue exceeds the Final Budget. This is to recognize this surplus in the Financial Stabilization Plan. THE ESTIMATED REVENUE SURPLUS FOR FY 2007-08 IS ALREADY REPORTED IN THE FACILITY FORECAST.	-	0.500
36	Recognize Insurance revenue in excess of budget	Revenue	The current facility forecast for Insurance revenue exceeds the Final Budget. This is to recognize this surplus in the Financial Stabilization Plan. THE ESTIMATED REVENUE SURPLUS FOR FY 2007-08 IS ALREADY REPORTED IN THE FACILITY FORECAST.	-	2.000
37	Improve/increase Medicare reimbursement on Indirect Medical Education (IME) revenues by reducing the available bed through a temporary reduction in licensed beds.	Revenue	Consider the temporary suspension of licensed beds to increase IME reimbursement. Current formula is I&R FTE/Available Beds. This percentage is applied to Medicare DRG payments to provide for additional supplemental payments for teaching hospitals.	-	0.785
38	Itemize Physician billings	Revenue	State DHCS has agreed to allow inpatient Medi-Cal physician billing. We are working to set-up a pilot project at H/UCLA and RLA. At LAC+USC and OV we have to set-up the necessary infrastructure. Additionally we are reviewing the possibility of LAC+USC and OV itemize billing for Medicare patients.	-	1.000
39	Patient Payment Plan	Revenue	Self-pay patients who maintain a payment plan thru hospital Affinity PA System.	0.104	0.104
40	Fire Dept - Bioterrorism , Paramedics, and Search & Rescue (OV/UCLA only)	Revenue	The fire dept has a bioterrorism grant and buys supplies from OVMC. The fire dept is willing to pay OVMC for the staff time involved in provided the supplies and for other incidental expenses.	0.090	0.090
41	Reduce Denied Days by implementing Emergency Room Case Mgmt. Program	Revenue	Implement UM Case Mgmt Program to review ER Admission requests and divert inappropriate admissions. Coordinate scheduling of ancillary tests with depts., expedite ER transfers to RLA, actively address placement issues. Also screen outpatient clinic admissions and divert inappropriate admissions. Harbor is at full capacity and this will allow us to more appropriately utilize resources and avoid ER closure to transfer patients.	-	0.250
42	Reduce Denied Days in all Hospital Depts. by 5%	Revenue	Provide additional educational programs aimed at physician documentation to maximize reimbursement. Produce dept. specific and potentially physician specific trending reports. Discuss progress in Quarterly Shared Mgmt. (Budget) meetings with each dept.	0.100	0.691
43	Reduce Medi-Cal audit adjustments for psychiatric services by Improving documentation in medical charts to show that patient's condition justify hospital stay and acute services.	Revenue	State auditors select a sample period and review psychiatric services provided to Medi-Cal inpatients at the hospitals to determine if the services are appropriate. We have found that the hospitals have high disallowances as the medical charts do not provide the description necessary to satisfy the medical necessity audits.	0.053	0.122
44	Improve Medicare outpatient reimbursement from the OPPS program by improving chart documentation showing all services provided to the patient during the visit.	Revenue	Compare typical Medicare reimbursement for like services provided at other private or public institutions. Determine where improvements can be made. Review Medicare billing practices to determine if additional ancillary services can be identified for billing such as injectibles, social services, etc.	0.438	0.677
		Revenue Total		0.785	6.219

**COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 THROUGH 2009-10**

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
45	Nurse Recruitment to Fill County Positions and Reduce Overtime. Reduce Nursing Full-Time Permanent Staffing Costs by Implementing New Part-Time, Hourly "F" Item Classifications.	Nursing Registry	Establish a DHS-Wide Nurse Recruitment Program as an on-going effort. Filling nurse permanent vacancies with County paid employees is more cost-effective than paying overtime or utilizing registries. Harbor's proposal to create part-time item classifications was supported by DHS in 1995. The plan may be with CEO Class Comp. If this is established as a priority, it is feasible for DHS to work with CEO Class Comp over the next 8 months to create these temporary item classifications. Currently, full-time permanent "A" items and overtime are used to staff LVN and Nursing Attendant items on weekends and to address employee call offs, census fluctuations, etc. In the private sector, part-time people are sent home if the workload does not justify the expense. Harbor does not have the ability to flex staffing with workload due to the lack of temporary employee classifications and use of overtime to accomplish this is expensive. Some facilities may also utilize registry employees to flex staffing, which is also expensive.	-	2.000
46	Reduce Nursing Registry personnel costs	Nursing Registry	Harbor only utilizes seven nursing registry personnel in the ER and ICU areas. Registry staffing can be reduced by one position. Significant potential exists DHS-Wide to reduce registry costs i.e., nursing attendants obtained through registries, etc.	0.700	0.900
47	Convert registries nursing sitters to County employees to meet JCAHO standards	Nursing Registry	Nursing Attendant Sitters are needed to provide 1:1 constant observation to all patients placed in behavioral restraints in all patient units to meet JCAHO standards. Also, for patients who are on legal holds for danger to self and others that require "one to one" observation as medically prescribed by their physicians. Sitters also provide constant monitoring to patients identified as all risk. The JCAHO national patient safety goal requires that the organization implements a fall reduction program to reduce the risk of patient harm resulting from falls. OV Medical Center is currently using registry Nursing Attendant sitters to meet the demand. The cost for 33.0 nurse attendant positions will be offset with reduced registry costs and result in additional savings.	-	0.963
		Nursing Registry Total		0.700	3.863
48	Prioritize IT Projects	Information System	We are updating the IT road map. With this road map, we will then be able to line up all of the major IT projects and recommend a priority proposal to IT Governance for review in December. We expect to have to do some research and have one or two subsequent meetings with IT Governance to deliver a new prioritized plan with budget reduction considerations.	-	6.500
49	Terminate the McKesson Express V Hospital Financial Control Agreement	Information System	The McKesson (HBOC) contract is scheduled to expire on 6/30/08. The McKesson Patient Accounting System will be replaced by the Quadramed Patient Accounting System. Note: FY 08-09 & FY 09-10 can only be realized if all DHS sites have migrated off the McKesson System by June 30, 2008. For every month the McKesson System is in production use after June 30, 2008, DHS will incur approximately \$200K in fees.	-	0.221
50	Reduce Quadramed Contract Maintenance, Pool Dollar & Out-of-Pocket Expenses (component of 27)	Information System	Postpone implementation of Quadramed Patient Acctg. Contract Mgmt. and the Ambulatory Abstract modules, indefinitely, and save on budgeted maintenance costs (\$27,500), reduce pool dollars for Quantim EDM project (\$16,200) and Out-of-Pocket expenses (\$15,000).	-	0.154
51	Reduce Quadramed Contract Software License Costs (component of 27)	Information System	Postpone implementation of Quadramed Patient Acctg. Contract Mgmt. and the Ambulatory Abstract modules, indefinitely, and save one one-time cost of software license.	0.555	0.149
		Information System Total		0.555	7.024
52	Reduction in X-Ray film	Medical Administration	Reduction in purchase of X-Ray film due to PACS implementation	-	0.025
53	Switch to Quest Labs from Focus for testing for Hepatitis B Virus DNA Qunt, PCR & Hepatitis C Viral RA, Qual, PCRc Cardioliipin Screen w/reflex to IGA, IGM, IGG.	Medical Administration	Implementation steps & required investments: ELIS Database creation of new testcodes/LIS Build in Affinity. Estimated Annual cost saving = \$ 112,806.12 Estimated cost of required Investments = Staff Time Investment = One Time. Impact on Service/Quality = No change.	0.056	0.113
54	Change instrument platform for Rheumatoid Factor, C3, C4, and Prealbumin from the Image to the Roche chemistry analyzers.	Medical Administration	Implementation steps & required investments: Validate assays on Roche instrument. Estimated Annual cost saving = \$ 3,600.00 Estimated cost of required Investments = Staff Time. Investment = One Time. Impact on Service/Quality = Prealbumin will be available 24/7 for patient care which will be an improvement in service. Moving these tests will also allow other low volume long TAT tests to be batched for improved efficiency.	0.002	0.004
55	Discontinue performing CKMB assay.	Medical Administration	Implementation steps & required investments: Get buy-in from the major stakeholders. Estimated Annual cost saving = \$ 31,700.00 Impact on Service/Quality = No negative impact on service or quality since Troponin test is the recommended cardiac marker.	0.016	0.032
56	Resume blood drive programs at H/UCLA (the only DHS facility that can benefit due to their operation of a Blood Bank).	Medical Administration	Harbor's cost of blood purchased exceeded the budget by \$600,000 in FY 06-07. This cost can be reduced significant if we resume the Blood Drives. The Blood Drives will be conducted once the RN item in the 20 bed package is filled. The RN needed for Blood Bank requires specialized training. Propose to conduct 2 major blood drives (1 mo. duration) and 2 minor blood drives (2 week duration) annually to reduce blood costs.	0.100	-
57	Expand in house biomed maintenance	Medical Administration	Continue expansion of in house biomed maintenance to eliminate biomed maintenance contracts.	-	0.082

**COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FINANCIAL STABILIZATION - DHS SYSTEMWIDE
FISCAL YEARS 2007-08 THROUGH 2009-10**

As of 2/14/08

#	Description	Savings Type	Status	Est. Value FY 07-08	Est. Value FY 08-09
58	Resume DHS-Wide Shared Lab Program and reduce reliance on outside reference labs	Medical Administration	The DHS Laboratory Executive Committee (Laboratory Directors and Laboratory Managers from each facility) is scheduled to meet on January 15, 2008 to discuss restructuring the DHS Shared Laboratory Program. Consideration will be given to staffing, equipment and information system (electronic result reporting) availability. Additionally, the Committee will begin to identify potential contracted laboratory tests to be done in-house. Harbor's reliance on outside reference labs continues to increase and this is an inefficient way to do business. Specimens for non-esoteric test are sent out because we don't have the equipment; however, the trend is that more are sent out due to staffing shortages (hard-to-recruit positions; pending Med Tech lab reclass, need Med Tech hourly item classification, etc.). Need to evaluate DHS-Wide what tests each facility has excess capacity to provide and what test are currently purchased from reference labs. Another option would be to renegotiate the reference lab contracts i.e., renegotiate rates paid or encourage the reference labs to bill Medi-Cal directly.	-	0.050
59	Reduce CHP Out-of-Plan Expenditure through proactive efforts to contact patients.	Medical Administration	Review CHP patients with more than 2-3 ER visits (non-Harbor primary care site) and contact these patients to schedule their follow-up appointments at Harbor. A mechanism needs to be put into place to provide CHP patients some priority appointments so they do not present to other sites.	-	0.250
60	GPO Standardization	Medical Administration	Implement DHS product standardization initiatives and convert non-agreement to agreement items.	0.200	0.250
61	Standardize Operating Room products and equipment and review Surgery Procedure Pack Product content.	Medical Administration	Establish a group of nurses, physicians and materials mgmt. staff to work on the standardization of operating room products and supplies that are ordered. This is used in the private sector and can produce significant savings. Focus on high-cost items, including ortho supplies. Move towards a Just-In-Time ordering system. Include a review of the products contained in the surgical packs. Eliminate products or substitute items with comparable products obtain through Novation (PHS pricing). Dr. Splawn will establish an oversight committee.	0.100	0.575
62	Review the feasibility of transferring/loaning other DHS facilities equipment that is currently not in use at MLK. Reduce Neonatal Ventilatory rental costs and SPORT bed rental costs.	Medical Administration	MLK has surplus equipment from the conversion of the hospital to a MACC. H/UCLA would like to transfer or borrow 3 ventilators from MLK that are not in use. Also, Rancho need additional beds in a temporary basis and savings could be achieved by transferring or loaning extra beds from MLK.	0.012	-
63	Establish an enterprise-wide Medical Test Formulary Committee to provide utilization guidelines to clinicians and to the Dept. of Pathology at the various facilities.	Medical Administration	The DHS Laboratory Information Steering Committee (Laboratory CIOs from each facility) developed a standardized enterprise workload report. Based on this workload report, the DHS Laboratory Steering Committee (appointed by the DHS Clinical Operations Committee) identified the top 90% of ordered tests. This 90% test list was submitted to the DHS Laboratory Executive Committee for review and discussion with their facility's medical staff. The responses to this evaluation are due December 21, 2007. The results of the study and the next steps will be discussed at the January 15, 2008 Laboratory Executive Committee meeting. The objective is to develop a "Test Formulary" to be managed and operated similarly to the existing DHS P&T Committee. The Laboratories endeavor to serve the clinicians by providing all tests requested to diagnose disease. This, however, opens the door for the use of any test at the discretion of the clinicians. Explore the possibility of establishing an enterprise-wide committee that would provide guidelines for the use of medical tests.	-	0.025
64	Standardize Interventional Radiology Supplies	Medical Administration	Establish a group consisting of radiology and materials mgmt. staff to work on the standardization of radiology interventional supplies. Focus on high-cost items and move towards a Just-In-Time ordering system. Establishment of a JIT system will further result in a decreased incidence rate for expired supplies.	-	0.050
65	Reduction in Radiology Film Costs	Medical Administration	The implementation of the Radiology PACS system on 1/1/08 will result in a reduction of film supply costs by 50% annually. The reduction of weekend overtime worked associated with PACS is already accounted for in the Harbor overtime reduction proposal above.	0.285	0.320
66	Reduce Mediquist Transcription Contract Costs	Medical Administration	Harbor currently spends \$1 million on medical transcription services in HIM, Radiology and Pathology. Savings can be achieved by negotiating new contract terms that provides the voice recognition option, which is more efficient. If priority is placed on this existing DHS project, it is fully possible to renegotiate the contract by 6/30/08.	-	0.150
		Medical Administration Total		0.771	1.925
		Grand Total		33.570	47.348

Category

Pharmaceuticals Total	10.885	15.500
Administrative costs Total	16.537	9.803
Staffing Total	3.337	3.014
Revenue Total	0.785	6.219
Nursing Registry Total	0.700	3.863
Information System Total	0.555	7.024
Medical Administration Total	0.771	1.925
Grand Total	33.570	47.348

LOS ANGELES COUNTY DEPARTMENT OF HEALTH SERVICES

ADDITIONAL COST SAVING OPTIONS

	Cost Saving Option	Status as of 3/25/08
1	Administration/Management – Identify cost saving options in this area, including previous efforts and provide status.	<p>As part of the DHS financial stabilization plan, DHS has identified \$16.5 million in administrative cost savings in FY 2007-08 and \$9.8 million in FY 2008-09. A description of these savings is included in the financial stabilization plan.</p> <p>The CEO will monitor implementation of the financial stabilization plan and associated cost savings.</p>
2	Perform energy audits at all facilities to identify energy saving measures.	<p>DHS is an active member of the Countywide Energy and Environmental Committee. The Committee formulated the Energy and Environmental Policy which was approved by the Board on December 19, 2006. The Policy establishes a goal of reducing energy consumption in County facilities by 20% by the year 2015. Recommended initiatives include the enhancement of employee education and awareness, implementation of conservation monitoring practices and implementation of energy and water efficiency projects in existing County buildings.</p> <p>A summary of planned/current DHS energy saving measures is attached (Attachment I).</p> <p>To identify additional energy saving measures, DHS has requested an estimate from ISD on the cost to hire a consultant to perform energy audits on DHS facilities. An official estimate has not been completed but per ISD, Energy Management Division, the cost to conduct energy audits is approximately \$0.20 per square foot. DHS occupied space is approximately 6.1 million square feet. The total cost for an energy audit Department wide could be approximately \$1.2 million.</p>
3	Maximize collection efforts from insurance providers to expand reimbursement efforts.	<p>To maximize insurance collections, DHS and its contracted safety-net contingency fee vendors make every effort to bill and collect from the various insurance entities. These efforts consist of DHS efforts and those of DHS contracted vendors, some of which assist with primary billing efforts and some which provide specialized and safety net services. These efforts resulted in \$78.2 million in revenue for FY 2006-07.</p> <p>Current efforts include: financial screening of patients and billing commercial insurance, government plans including Medi-Cal, worker's compensation insurance, etc.; Fast Track Admissions and Visit Policy (Board approved on December 7, 1999, the Policy allows DHS facilities to negotiate patient-specific payment rates for inpatient services and enter into single instance, pre admission agreements with individual or private payors to admit and treat their patients at all County hospitals. On August 13, 2002, the Board approved a revision to the Fast Track Policy to enter into similar contractual relationships for the provision of outpatient services based upon a per visit and/or a percent of charges basis); Patient Account Compromise Authority (Board approved ordinance on January 8, 2002, granting the Director authority to reduce patient</p>

		account liabilities when it is in the best interest of the County to do so); Delegated Insurance Contracting Authority (Board approved delegated authority on October 16, 2007, for the Director to negotiate and execute agreements with health plans that provide commercial insurance coverage, as long as the negotiated contracts rates cover DHS cost for providing the contacted services. DHS executed an agreement with LA Care for services provided at RLANRC on November 30, 2007).
4	Self pay patients pay approximately \$22 million; improve collection efforts by engaging patients in negotiations at possible reduced rates.	To ensure that self-pay collections are maximized, DHS and its contracted safety-net contingency fee vendors make every effort to bill and collect self-pay due amounts. Self-pay includes Pre-Payment and Child Delivery Plan amounts, Ability-to-Pay (ATP) and Outpatient Reduced-Cost Simplified Application (ORSA) liabilities, co-insurance and deductible amounts, cash and carry pharmacy, self-pay payments and any other patient responsible amounts, i.e., Out-of-County/Country (OOC), OOC-Discount Payment Plan, etc. DHS financially screens all patients. If the patient chooses not to apply for the various health care programs that may be available to them or does not qualify they will receive a self-pay amount due. Patients are mailed three bills from DHS for self-pay amounts due. If DHS efforts fail, the Department has contracts with vendors to provide patient account collection letter services. If these efforts fail, DHS has a contract with an outside collection agency for further collection efforts. Once these efforts are exhausted, the accounts are referred to the Treasurer Tax Collector. At any time during the collection process self-pay patients may request assistance for various health care programs or request to compromise on their outstanding account balance utilizing the Patient Account Compromise Authority described in #3 above. Patients may also use the Fast Track Policy (also described in #3 above) to negotiate a specific payment rate for inpatient and/or outpatient services. The majority of DHS' patient family income is lower than 133% of the Federal Poverty Level.
5	Explore option of bringing new, paying customers/patients into the system.	The DHS Office of Managed Care (OMC) has budget approval for a plan to create a contracting unit for third party contracts and will be developing a contracting strategy for each DHS facility with an initial focus on burn services and certain subspecialty services including pediatrics. OMC will also renegotiate the existing Health Net agreements on behalf of DHS hospitals and outpatient facilities. LAC+USC Medical Center is currently renewing their contract with Kaiser for burn services. Rancho Los Amigos is developing a contracting plan for rehabilitation services. Plan development is funded through a LA Care grant pending final approval.
6	Analyze workload numbers, have patient visits gone down, while costs have risen; and what cost containment efforts have been implemented.	Inpatient admissions, emergency department visits, and outpatient visits have generally remained level for the last five fiscal years (FY 2003-04 to estimated FY 2007-08), not including service changes in the Southwest Cluster, some of which were associated with the downsizing and closure of MLK-Harbor Hospital (Attachment II). Information on costs and cost containment efforts will be provided in a future status report.

7	<p>Provide 3 year snapshot of vacant positions; how are current registry services utilized to fill these items.</p> <p>Conduct study to determine if County should engage in long-term effort to bring services in-house and reduce reliance on registry nurses.</p>	<p>Registry nurses are used to supplement staffing in response to increased patient volume and unfilled DHS nursing positions. DHS has undertaken an aggressive effort to reduce reliance on nursing registries and increase the number of DHS nurses. From FY 2005-06 to FY 2006-07, DHS nursing registry expenses decreased from approximately \$106 million to \$86 million. Estimated nursing registry expenses for FY 2007-08 are \$46 million. Enhanced nurse recruitment and retention efforts include establishing a competitive salary structure, an Employee Referral Award Program, tuition reimbursement, a Relocation Incentive Program, and tutoring and mentoring programs at local colleges with nursing programs.</p> <p>DHS is completing a three year review of vacant positions and will provide the information in a future status report.</p>
8	<p>Pharmacy Services – assess cost savings by implementing mail order prescription fill-refill services similar to pilot in the Antelope Valley area.</p> <p>Determine if similar model, whereby patient medications, particularly those for treating chronic illnesses, can be filled through the mail, can be expanded to other County areas.</p>	<p>High Desert MACC has been selected as the initial site for the mail order pharmacy pilot. The contract and statement of work are currently under review by DHS Information Systems, with the expectation that the contract will go to the Board for approval in April 2008. The mail order pilot will involve the replacement of the High Desert pharmacy information system with the contract vendor's system, in order to facilitate the transmission of prescription information electronically to the offsite vendor for processing.</p> <p>It is anticipated that sufficient data will be available for an initial analysis approximately one year after Board approval.</p> <p>County Counsel and DHS are in the process of submitting an Alternative Methods Demonstration Project (AMDP) to HRSA in order to allow the mail order service to expand to high volume DHS hospital outpatient sites. Due to the fact that these hospitals purchase medication from the Federal 340B program, an AMDP, approved by HRSA, is required to expand mail order services to these sites.</p> <p>It is anticipated that DHS will receive a response from HRSA to the AMDP in approximately 12 months.</p> <p>A DHS evaluation of these efforts will include analysis of patient access, quality of care, and cost-effectiveness. If found successful, an implementation schedule will be established for other DHS sites.</p>

9	Is there service creep at LAC+USC; County needs to be mindful.	<p>Inpatient admissions, emergency department visits, psychiatric emergency room visits, and outpatient visits have generally remained level at LAC+USC Medical Center for the past five years (FY 2003-04 to estimated FY 2007-08) (Attachment II). A decrease in outpatient visits at Northeast Cluster Comprehensive Health Centers (CHC) and Health Centers (HC) was offset by an increase in outpatient visits at the hospital.</p> <p>Over the last three years, LAC+USC has engaged in a re-design of inpatient, outpatient, and emergency department services. The average inpatient occupancy has decreased from more than 700 to less than 600 through changes in inpatient services to reduce the length of stay while maintaining the same number of admissions. With the opening of the new hospital several services that are currently provided by contract will be brought in-house. These include MRI, lithotripsy, and radiation therapy. Emergency department services will also expand as the new hospital will have an increased number of treatment bays (145 treatment bays). However, the department is working with LAC+USC on a zero-base budget which would avoid any cost increase.</p>
10	Avoid duplicate testing to keep costs down.	<p>DHS currently does not have the IT infrastructure to collect information on the number of duplicate laboratory tests performed. Current systems do not capture this information. HCs and CHCs generally perform basic laboratory tests that are designed to provide results while the patient is still in the clinic. More complex laboratory testing is performed at the hospitals. Although DHS does not have electronic linkage of laboratory information across all facilities there is electronic linkage within DHS Clusters. Clinical staff at the medical center, CHCs, and HCs within a Cluster may identify and utilize results from previous testing, regardless of the ordering site, thus reducing the opportunity for duplicate orders. To minimize duplicate testing, if two specimens are received within one hour of each other, from the same patient, requesting the same test(s), the second test is canceled.</p> <p>The long-term DHS strategy for managing laboratory test information and eliminating duplicate testing is the implementation of the DHS Master Patient Index Project and the electronic health record. This project will assign a unique patient identifier that is connected to the electronic data of the patient, including laboratory testing. DHS has submitted a plan and a funding request from the CEO IT Fund to implement this solution which will be used by DHS, DCFS, and DMH.</p>

**DEPARTMENT OF HEALTH SERVICES
ENERGY SAVINGS MEASURES MATRIX
March 14, 2008**

HEALTH SERVICES ADMINISTRATION BUILDING

1. Installed an energy savings lighting controlled system for the entire building. Lights will be off Monday to Friday from 8:00 p.m. to 4:30 a.m. the next morning. On Friday the lights will turn off at 8:00 p.m. until Monday at 4:30 a.m.
2. Installed automatic lights off control in all individual offices. Lights will automatically turn off after 15 minutes of inactivity.
3. Installed energy efficiency VFD units.
4. Installed energy efficiency chillers.
5. Installed two energy efficiency boilers (two more needed – will be purchased next FY).
6. In the process of commissioning a new Building Automation System which will control the operation of the HV/AC to turn on and off during regular business hours and to monitor the exterior vs. the interior temperature.

RANCHO LOS AMIGOS

1. Constructing new hospital kitchen with energy efficient equipment. Completion date September 2008.
2. Purchasing energy efficiency VFD (Variable Frequency Drive) units and upgrading motors to energy star rating for the boilers in the Central Plant and Air Handler units in the 100 building.
3. Retrofitting light from T12 to T8 type which is more energy efficient.
4. Replaced JPI corridor lights from halogen to compact fluorescent type.
5. Installed additional irrigation control in the sprinkler system, to prevent over watering.
6. Shutting off the power supply to the unoccupied buildings on the South Campus.
7. Adjusted the operating hours of the Medical Library to minimize the use of overhead lights.
8. Adjusted thermostat in all climate controlled buildings to the recommended temperatures.
9. Reduced the overhead lighting in work areas, patient rooms, and therapy gyms as much as possible without creating unsafe conditions or interfering with the performance of duties.
10. Energy Savings tips are displayed on the intranet as opening screen on computers during start up to promote employees awareness and education.

LAC+USC MC

1. Installing time clocks where possible on BARD A/C units on outlying buildings and trailers to secure system during unoccupied hours.
2. Retrofitted 200 watts incandescent lights with high output low energy fluorescent lights in main Auditorium
3. Retrofitted existing T12 to more energy efficient T8 fluorescent lighting.
4. Replaced HV/AC system on Pediatrics building with energy efficient VFD controlled system.
5. Constant monitoring of building automation systems to maximize efficiency.
6. Re-insulated several piping systems to minimize lost of BTU's throughout the Campus.
7. Due to the imminent relocation to the Replacement Facility, all major energy savings retrofits and upgrades are on-hold. Replacement Facility has been built to meet new energy efficient standards.

HARBOR/UCLA MC

1. Exploring the cost and savings potential of a lighting retrofit throughout the Campus. Replacing existing fluorescent light fixtures (standard T8/electronic ballast system) to T8 lamps energy efficient electronic ballasts.
2. Exploring replacing the existing package A/C units used on the smaller buildings on Campus with units with higher energy efficiency ratios.

MLK MC & Ambulatory Care Center

1. Replaced parking lot lights with 250w flood fixtures.
2. Installed 38 VFD for all fan motors.

OLIVE VIEW/UCLA MC

1. Exploring the possibility of the Gas Company doing an energy audit of the facility.

HIGH DESERT HEALTH SYSTEM

1. Due to the pending relocation from the main HDSH Campus into a new building, all energy savings retrofits and upgrades have been on-hold.

DEPARTMENT OF HEALTH SERVICES
WORKLOAD STATISTICS
FISCAL YEARS 2003-04 THROUGH 2007-08

	Actual 2003-04	(1)	Actual 2004-05	(1)	Actual 2005-06	(1)	Actual 2006-07	(1) (2)	FYE 2007-08	(3) (4)
<u>Admissions</u>										
LAC+USC	37,922		36,834		36,643		37,515		38,674	
H/UCLA	21,591		20,798		21,208		21,649		21,646	
MLK	11,310		10,460		11,114		6,148		487	
RLANRC	2,357		2,332		2,228		2,232		2,534	
OV/UCLA	12,309		12,781		13,181		13,630		14,503	
HDHS	--		--		--		--		--	
Total Admissions	85,489		83,205		84,374		81,174		77,844	
<u>Discharges</u>										
LAC+USC	39,673		38,971		38,187		39,070		40,224	
H/UCLA	22,473		21,836		22,252		22,750		22,778	
MLK	11,328		10,477		11,115		6,287		526	
RLANRC	2,388		2,342		2,231		2,239		2,486	
OV/UCLA	13,209		13,662		14,197		14,700		15,792	
HDHS	--		--		--		--		--	
Total Discharges	89,071		87,288		87,982		85,046		81,806	
<u>Patient Days</u>										
LAC+USC	259,128		247,835		236,520		229,220		221,796	
H/UCLA	121,512		119,720		124,100		129,210		133,590	
MLK	74,664		64,970		63,510		37,585		1,830	
RLANRC	55,632		52,560		49,640		49,640		63,684	
OV/UCLA	62,952		64,605		71,175		70,810		71,736	
HDHS	366		--		--		--		--	
Total Patient Days	574,254		549,690		544,945		516,475		492,636	
<u>Average Daily Census</u>										
LAC+USC	708		679		648		628		606	
H/UCLA	332		328		340		354		365	
MLK	204		178		174		103		5	
RLANRC	152		144		136		136		174	
OV/UCLA	172		177		195		194		196	
HDHS	1		--		--		--		--	
Total Average Daily Census	1,569		1,506		1,493		1,415		1,346	
<u>Average Length of Stay</u>										
LAC+USC	6.5		6.4		6.2		5.9		5.5	
H/UCLA	5.4		5.5		5.6		5.7		5.9	
MLK	6.6		6.2		5.7		6.0		3.5	
RLANRC	23.3		22.4		22.3		22.2		25.6	
OV/UCLA	4.8		4.7		5.0		4.8		4.5	
HDHS	--		--		--		--		--	
Total Average Length of Stay	6.4		6.3		6.2		6.1		6.0	
<u>Hospital Births</u>										
LAC+USC	1,440		1,449		1,479		1,551		1,534	
H/UCLA	963		1,038		1,047		1,146		1,133	
MLK	673		592		512		405		33	
OV/UCLA	899		932		1,019		1,085		1,129	
Total Hospital Births	3,975		4,011		4,057		4,187		3,829	
<u>Environmental Health Inspection</u>										
PHS ⁽⁵⁾	356,558		367,836		349,272		N/A		N/A	
<u>JCHS Visits</u>										
	277,473		271,627		267,572		258,673		256,666	
<u>Office of Ambulatory Care</u>										
Public/Private Partnership Visits	565,122		573,606		567,040		599,361		577,961	
General Relief Visits	18,135		5,145		--		--		--	
Total P/PP and GR	583,257		578,751		567,040		599,361		577,961	

DEPARTMENT OF HEALTH SERVICES
WORKLOAD STATISTICS
FISCAL YEARS 2003-04 THROUGH 2007-08

	Actual 2003-04	(1)	Actual 2004-05	(1)	Actual 2005-06	(1)	Actual 2006-07	(1) (2)	FYE 2007-08	(3) (4)
<u>Emergency Dept (ED) Visits</u>										
LAC+USC	138,462		143,950		153,561		136,838		133,622	
H/UCLA	73,951		68,681		62,338		59,005		57,247	
MLK	45,258		34,200		42,612		48,639		3,583	
OV/UCLA	44,507		44,269		42,080		38,578		41,078	
Total ED Visits	302,178		291,100		300,591		283,060		235,530	
<u>ED Psychiatric Visits</u>										
LAC+USC	8,967		7,919		7,926		7,903		8,206	
H/UCLA	6,997		7,729		7,785		8,445		8,111	
MLK	3,989		4,813		4,442		1,817		0	
OV/UCLA	4,067		3,940		4,288		4,219		4,157	
Total ED Psychiatric Visits	24,020		24,401		24,441		22,384		20,474	
<u>Ambulatory Care Hospital Outpatient Visits</u>										
LAC+USC	521,880		530,947		562,344		580,501		577,210	
H/UCLA	274,771		276,891		285,143		289,441		291,929	
MLK	164,314		147,250		163,991		138,204		--	
RLANRC	53,038		57,402		59,369		58,960		59,770	
OV/UCLA	181,643		185,710		197,645		200,721		199,349	
HDHS	--		--		--		--		--	
Total Hospital O/P Visits	1,195,646		1,198,200		1,268,492		1,267,827		1,128,258	
<u>MACC/CHC's/HC's Ambulatory Care Visits</u>										
<u>MACC</u>										
MLK	--		--		--		--		132,788	
HDHS	60,295		69,623		78,877		83,798		79,719	
Total MACC	60,295		69,623		78,877		83,798		212,507	
<u>CHC's</u>										
LAC+USC Healthcare Network	365,648		346,297		331,079		314,156		300,816	
Coastal Network	70,608		71,756		73,145		71,746		70,544	
Southwest Network	175,007		108,561		104,292		99,816		103,564	
Valley Care Network - SFV	68,744		70,904		69,394		69,675		71,363	
Valley Care Network - AV	--		--		--		--		--	
Total CHC's	680,007		597,518		577,910		555,393		546,287	
<u>HC's</u>										
LAC+USC Healthcare Network	9,388		9,269		9,075		7,897		7,447	
Coastal Network	37,181		37,401		34,587		31,727		32,805	
Southwest Network	9,725		9,264		9,907		9,299		9,168	
Valley Care Network - SFV	40,143		42,003		41,363		40,384		41,231	
Valley Care Network - AV	61,617		66,082		68,532		70,016		70,454	
Total HC's	158,054		164,019		164,464		159,323		161,105	
<u>Total MACC/CHC's/HC's</u>										
LAC+USC Healthcare Network	375,036		355,566		340,154		322,053		308,263	
Coastal Network	107,789		109,157		107,732		103,473		103,349	
Southwest Network	184,732		117,825		114,199		109,115		245,520	
Valley Care Network - SFV	108,887		112,907		110,757		110,059		112,594	
Valley Care Network - AV	121,912		135,705		148,409		153,814		150,173	
Total MACC/CHC's/HC's	898,356		831,160		821,251		798,514		919,899	
<u>CHC/HC Public Health Visits</u>										
LAC+USC Healthcare Network	16,656		14,769		14,053		11,147		12,091	
Coastal Network	1,515		1,175		1,126		934		966	
Southwest Network	--		--		--		--		--	
Valley Care Network - SFV	5,973		3,728		3,042		374		1,157	
Public Health ⁽⁵⁾	345,231		398,702		353,295		N/A		N/A	
Total Public Health Visits	369,375		418,374		371,516		12,455		14,214	

DEPARTMENT OF HEALTH SERVICES
WORKLOAD STATISTICS
FISCAL YEARS 2003-04 THROUGH 2007-08

Actual 2003-04	(1)	Actual 2004-05	(1)	Actual 2005-06	(1)	Actual 2006-07	(1) (2)	FYE 2007-08	(3) (4)
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Footnotes:

- n/a = Information not available.
- (1) Source: Verified Workload Report provided by each facility for June 2004 through June 2007. High Desert Health System reporting as a MACC for FY 2003-04 and forward.
 - (2) Workload statistics report has incorporated the MetroCare Implementation Plan approved by the Board of Supervisors on October 17, 2006. The plan includes the increase of the outpatients visit at MLK and the bed realignments to LAC+USC, H/UCLA, and RLANRC.
 - (3) Monthly Workload Report provided by each facility for FY 2007-08 as of December 2007.
 - (4) MLK reporting as a MACC for FY 2007-08 and forward.
 - (5) The Department of Public Health was formed on July 6, 2006. Workload data from PHP&S budget units and AVRC will no longer be part of the report beginning FY 2006-07.